

Patriot Mortgage Corporation

ADJUSTABLE RATE MORTGAGE DISCLOSURE

A RM disclosure describes the features of the Adjustable Rate Mortgage (ARM) Program you are considering. It does not constitute a commitment on the part of the lender to make a loan to you. Information on other ARM A programs are available upon request.

INITIAL INTEREST RATE AND PAYMENT ARE DETERMINED AS FOLLOWS

1 Initial Interest Rate. The initial interest rate may be less than the sum of the current "index" and "margin" (See discussion of "index" and "margin" below). And as so the initial interest rate is said to be "discounted." Current rates and the amount this adjustable rate mortgage is currently "discounted" are available upon request.

2 Initial Payment. The initial payment will be based upon the initial interest rate, loan balance, and loan term. The payments referred to in this "Advance Loan Disclosure" are for principal and interest only. The amounts of any tax or insurance escrow's are not reflected in this disclosure.

ADJUSTED INTEREST RATE AND PAYMENT ARE DETERMINED AS FOLLOWS

1 KEY TERMS. The following are key terms and used in this explanation of how the adjusted interest rate is determined INDEX. "The weekly average yield on United States Treasury Securities adjusted to a constant maturity for one year."

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MARGIN. "The fixed percentage amount that will be added to the index to find the new interest rate at each

Adjustment." Consult us for our current margin.

CAPS. Limitation on the amount of change in the interest rate at any adjusted dare, or over the life of the loan.

2 Adjusted Interest Rate and Payment: The interest rate and payment can change starting with the first adjustment, the new interest will be based on the index plus the margin and will be rounded to the nearest 1/8th of one percentage point. This will equal the new interest rate unless the interest rate "cap" limits the amount of change in the interest rate (see description of caps below). The new payment will be based on the new interest rate, remaining loan balance and term.

INTEREST RATE AND PAYMENT CHANGES

1 Frequency. The interest rate and payment can change after 12 months and every 12 months thereafter.

2 Caps. The interest rate cannot increase or decrease more than two percentage points at each adjustment, or increase more than six percentage points over the term of the loan. However, these caps not withstanding the interest rate will never be less than the margin. Current margin information available upon request.

3 Notification. The lender will send a written notice at least 25 days before the due date of the payment at a new level. This notice will contain information about the index, interest rate , payment amount, and loan balance.

EXAMPLE: Based on a hypothetical loan amount of \$10,000 with an initial interest rate of 6.750%. (This rate is based on the rounded index and margin for 1996, as indicated by the "Historical Index Rate Example," adjusted to reflect a discount of 3.21 percentage points). The maximum amount the interest rate could rise under this example loan program would be two percentage points per adjustment in the second and third year, to a lifetime cap of 12.750% in the fourth year. The example payments below are principal and interest only and do not include monthly tax or insurance escrow.

For a loan term of 15 years , the payment could rise from an initial amount of \$88.49 to a maximum amount of \$120.82 in the fourth year. For a loan term of 30 years, the payment could rise from an initial amount of \$64.86 to a maximum amount of \$107.16.

BORROWER'S SIGNATURE

DATE

CO-BORROWER'S SIGNATURE

DATE